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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In The Matter of)
)
Implementation of Section) PP Docket No. 93-253
309(j) of the Communications)
Act - Competitive Bidding)
Narrowband PCS)

DOCKET FILE COPY ORIGINAL

To: The Commission

REPLY COMMENTS OF PAGEMART, INC.

PageMart, Inc. ("PageMart"), by its attorneys, hereby submits its Reply Comments in the above-captioned proceeding. In response to the Commission's request,^{1/} PageMart, along with several other parties, submitted additional comments on the Commission's proposal to establish entrepreneurs' blocks for narrowband PCS.^{2/} These Reply Comments address the issues raised by other commenters.

^{1/} Public Notice DA 94-15670 (Dec. 21, 1994).

^{2/} Additional Comments of PageMart, Inc. (filed Jan. 13, 1995).

I. Designated Entity Preferences Should Not Be Available
On All Channels.

A. The Results Of The Regional Auction Demonstrate
That Designated Entities Do Not Require Extensive
Commission Assistance.

Numerous commenters agree with PageMart's observation in its Additional Comments^{3/} that designated entities ("DEs") enjoyed significant success at the Commission's auction for regional licenses.^{4/} This success shows that significant modifications to the Commission's existing rules simply are not necessary to ensure DE participation in the provision of narrowband PCS. Moreover, it demonstrates that any radical change to the Commission's existing rules would unfairly bias the auction against non-DEs that seek additional licenses. Thus, PageMart urges the Commission to consider the need for a balanced approach in its modifications to the rules governing DE participation in the BTA/MTA auction.

^{3/} See Additional Comments of PageMart at 2-3.

^{4/} See, e.g., Further Comments of AirTouch Paging ("AirTouch") at 4 (filed Jan. 13, 1995); Comments of Mobile Telecommunication Technologies Corp. ("MTel") at 6 (filed Jan. 13, 1995); and Comments of PCS Development Corporation ("PCSD") at 2 (filed Jan. 13, 1995).

B. Extending DE Preferences To All Channels Is Unfair
And Outside Of The Commission's Congressional
Mandate.

Some commenters have suggested that the preferences afforded DEs should be available on all licenses, rather than being confined only to certain entrepreneurs' blocks.^{5/} PageMart strongly disagrees with this suggestion. First, such a move would artificially inflate the prices of all licenses, because DEs would bid on several different licenses (raising prices) before finally settling on their ultimate choice, which they could purchase at a sizeable discount.^{6/} Second, it would unfairly guarantee DEs certain licenses -- the entrepreneurs' blocks -- and give them a significant advantage on all other licenses as well; DEs would have their cake and eat it too. Finally, such a move is not justified by the Commission's experience: the regional auction showed that DEs can compete outside of those blocks that include a bidding

^{5/} See, e.g., Comments of PCSD at 8-9.

^{6/} As an aside, PageMart agrees with AirTouch that Congress did not instruct the Commission to design its auction procedures such that designated entities were able to acquire licenses at below-market prices. See Further Comments of AirTouch at 7.

credit.^{2/} The Commission therefore should limit DE preferences to licenses already designated to receive bidding credits in order to avoid an unbalanced result.

II. The Commission Should Provide Firms Ineligible For Bidding In The Entrepreneurs' Blocks Adequate Opportunity To Acquire MTA-Sized Licenses.

A. Only MTA Licenses Originally Designated For A Bidding Credit Should Be Set Aside As Entrepreneurs' Blocks.

Firms that do not qualify for the entrepreneurs' blocks will almost certainly not have an interest in BTA-sized licenses.^{8/} PageMart therefore does not oppose designation of channels 25 and 26 as entrepreneurs' blocks. However, as PageMart pointed out in its Additional Comments, some firms that fail to qualify as entrepreneurs may still

^{2/} For example, Insta-Check Systems, Inc. was the high bidder on frequency block 5 in region 2 -- a license that does not carry a bidding credit. See Public Notice, Report No. CN-95-1 (Dec. 9, 1994).

^{8/} The only parties that seem to have an interest in BTA-sized licenses are would-be entrepreneurs' blocks bidders. See, e.g., Comments of United States Interactive & Microwave Television Association ("USIMTA") at 6-8 (filed Jan 13, 1995). By contrast, parties not eligible for the entrepreneurs' blocks prefer MTA-sized allocations. See, e.g., Additional Comments of PageMart at 5-6; Comments of American Paging at 2-3 (filed Jan 13, 1995).

seek additional spectrum in those MTAs where demand is expected to be particularly great.^{9/}

Thus, with respect to the MTA-sized licenses, PageMart has suggested that the Commission set aside only those licenses that were originally designated for a bidding credit.^{10/} This would provide several non-entrepreneurs with the opportunity to acquire MTA licenses. The Commission would also guarantee that more than half of the remaining narrowband PCS licenses would go to DEs. Combined with DE success at the regional auction, the resulting ratio of DE to non-DE narrowband providers would clearly be sufficient to satisfy the Congressionally-mandated goal to ensure that DEs have a significant opportunity to participate in the provision of spectrum-based services.^{11/}

B. Aggregation of Existing Service Areas Is Unwarranted.

In light of the results of the regional auction, PageMart has concluded that the aggregation of existing MTA-

^{9/} See Additional Comments of PageMart at 4. At least one other firm seems to agree with this assessment. See Comments of American Paging at 2-3.

^{10/} See Additional Comments of PageMart at 4. This would mean designating BTA channels 25 and 26, as well as MTA channels 19, 22 and 24 as entrepreneurs' blocks.

^{11/} 47 U.S.C. §§ 309(j)(4)(B) and (D).

sized licenses outside of the entrepreneurs' blocks would be unwise. Several commenters raise a number of objections to such a reallocation, objections with which PageMart largely agrees.^{12/} Moreover, even if the Commission concludes that larger service areas are desirable, the regional auction has clearly demonstrated that DEs and non-DEs alike can utilize the simultaneous, multiple-round bidding mechanism to aggregate licenses geographically.

III. The Commission Should Not Alter Its Proposed Entrepreneurs Block Eligibility Criteria.

Finally, PageMart agrees with those commenters that argue for entrepreneurs' block eligibility criteria narrowly-tailored to meet Congress's goals. As PageMart pointed out in its Additional Comments, the cost of narrowband license acquisition and deployment will be affordable to relatively small entities, especially at the BTA and MTA level.^{13/} Thus, the concerns that motivated

^{12/} See, e.g., Comments of MTel 4-5 (arguing that a reallocation would be unfair to bidders that participated in earlier auctions); Comments of AirTouch at 5 n.14 (observing that DEs were successful in aggregating licenses at the regional auction, proving a reallocation is not needed); and Comments of PCSD at 2-3 (contending that non-winners in regional auction dropped out early, proving that the market's appetite for regional licenses has been met).

^{13/} See Additional Comments of PageMart at 7-8.

relaxation of the broadband entrepreneurs' blocks eligibility criteria are largely absent from the instant case.

Moreover, relaxation of the entrepreneurs' blocks eligibility rules would dilute the extent to which the most disadvantaged entities are aided by the creation of such blocks. This is true because the smallest entities will be forced to compete against much larger firms that barely qualify for the entrepreneurs blocks which, under the proposed relaxation of the eligibility rules, would likely have significant funding from strategic partners. Thus, enhanced partnering opportunities, a relaxed financial threshold and other such modifications would be counterproductive in the narrowband context.

IV. Conclusion

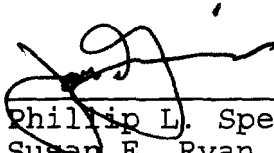
As PageMart noted in its Additional Comments, it supports the Commission's reexamination of the BTA/MTA auction design in light of experience gained at the regional auction. The results of this auction have convinced PageMart and several other interested parties that any geographic aggregation of the MTA licenses would be a mistake. Moreover, the consensus of comments submitted to the Commission demonstrate that DEs can compete effectively

with other firms. It follows that any radical reconsideration of the current rules -- such as the creation of expansive entrepreneurs blocks or relaxed eligibility rules for such blocks -- would be unwise and would unfairly disadvantage non-DE firms.

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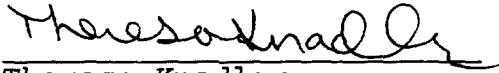
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